

AR28

Hudson's Bay Company

1973 Annual Report



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The 305th Annual General Meeting of Shareholders will be held at the Holiday Inn, Winnipeg, Manitoba, on May 24, 1974 at 12:00 noon.

On peut obtenir ce rapport annuel en français sur demande.

Financial Highlights 1973

HUDSON'S BAY COMPANY & SUBSIDIARIES

Year Ended January 31, 1974

	Increase over Last Year	This Year	Last Year
SALES	19.7%	\$804,334,000	\$672,157,000
NET EARNINGS.....	12.8%	\$17,664,000	\$15,654,000
Per share	11.5%	\$1.29	\$1.16
DIVIDENDS PER SHARE.....	7.7%	\$.56	\$.52
CAPITAL EXPENDITURES	108.6%	\$56,907,000	\$27,282,000
MARKBOROUGH ACQUISITION.....	—	\$48,869,000	—
SIEBENS INVESTMENT	—	\$5,447,000	—
CASH FLOW FROM OPERATIONS	15.2%	\$29,387,000	\$25,507,000
SHAREHOLDERS' EQUITY	7.5%	\$210,289,000	\$195,681,000
Per share	5.5%	\$15.23	\$14.44



Directors Report to Shareholders

Nineteen seventy-three was a notable year in the long history of Hudson's Bay Company. Progress was made in expanding and rationalizing interests in real estate and natural resources. The sales and profits of our merchandising operations continued to grow during a year of rapidly increasing costs. Earnings from all sources amounted to \$1.29 per share, up from \$1.16 a year ago.

Three significant transactions involving non-merchandising interests took place in 1973.

The Company in June 1973 acquired a substantial minority interest in Siebens Oil & Gas Ltd., a Canadian petroleum exploration company with extensive land holdings in Western Canada, the Arctic and the North Sea, in exchange for all the shares of Hudson's Bay Company Resources Limited, owner of mineral rights on 4,500,000 acres of land in Western Canada. This represented the conversion of a low-risk revenue-producing asset into a higher-risk equity investment with good potential for future growth. If the Company had retained ownership of the mineral rights, depletion allowance on the revenue therefrom would have been lost in future because of recent changes in the Income Tax Act.

In July 1973 the Company issued \$100,000,000 6% debentures exchangeable for approximately one half of our shareholding in Hudson's Bay Oil and Gas Company Limited. Although the investment in HBOG has been highly successful, your Directors considered it undesirable in the long term to have such a large proportion of the Company's assets in a single investment. They considered that the reduction in HBOG shareholding, which will take place upon exchange, will be in the best interests of Hudson's Bay Company shareholders. In the meantime, the Company obtained funds at moderate interest cost for deployment in our business.

The Company in December 1973 acquired a 64.1% interest in Markborough Properties Limited. Markborough is a Canadian property development company with important holdings of undeveloped land and income properties. Your Company has been heavily involved in property and shopping centre development related to retail operations, and your Directors considered the Markborough investment to be a logical expansion of our real estate interests.

The financial statements this year have been recast to reflect three principal areas of activity — merchandising, natural resources, and real estate — and your Company has entered 1974 with ambitions for growth of assets and improvement in profits in all three areas.

Earnings Net earnings were \$17,664,000 as against \$15,654,000 in the previous year. Earnings of Markborough amounting to \$237,000 have been consolidated from December 1973. Equity accounting has been adopted for the Siebens investment and 35% of Siebens' earnings from June 1973 has been included in profits.

Sales Sales increased by 19.7% to \$804,334,000. Because retail units end their accounting year on the Saturday closest to January 31, every sixth year contains an extra week's retail sales. Nineteen seventy-three was such a year.

Finance Costs Finance costs were \$11,530,000, up from \$8,868,000 in 1972. The average rate of interest was 7.1% compared to 7.2% in the prior year.

Dividends A semi-annual dividend of 30¢ per share has been declared payable April 18, 1974, to shareholders of record on March 15, 1974. This represents an increase of 2¢ per share from the semi-annual dividend of 28¢ paid in 1973.

Share Capital A total of 255,840 additional shares were issued in June at \$18 per share as a result of the introduction of the new Employee Stock Purchase Plan, bringing the number outstanding to 13,809,268.

Source & Use of Funds Cash flow from operations increased 15% to \$29,387,000. The Company obtained \$125,512,000 from the issue of long term debt of which \$100,000,000 was from the Exchangeable Debentures mentioned above and \$20,000,000 was from sale of 8¼% Series E Debentures of Hudson's Bay Company Acceptance Limited.

Capital expenditure increased from \$27,300,000 to \$56,900,000, of which 64% related to merchandising and the balance to real estate. Net investment in increased inventories and accounts receivable, principally related to retail expansion, was \$42,400,000. Cash investment in Markborough and Siebens amounted to \$48,900,000 and \$5,400,000 respectively. The repayment of long term debt accounted for \$3,800,000 and dividends for a further \$7,700,000.

Merchandising

Retail Stores The opening of five major department stores, three smaller department stores, 31 catalogue stores, and improved sales at existing units contributed to an 18.9% increase in retail sales. In spite of pre-opening expenditures related to these new stores and strong pressure on margins because of higher costs, notably wages and occupancy expenses, retail earnings show improvement.



Jocelyn Tremblay joined The Bay at Baie Comeau in 1966; since then has worked at Forestville, Hauterive, Schefferville, Port Cartier and Chibougamau, before returning to Baie Comeau as Women's Wear Manager last year.

The retail expansion program, with its dual objectives of improving historically strong market positions in Western cities and of achieving a significant penetration of the market in the major Eastern cities continued, with five store openings in 1973. Our fourth and fifth stores in the Toronto area were opened in the western suburbs: one at Bramalea, City Centre (131,000 sq. ft.); and one at Square One, Mississauga (129,000 sq. ft.) The Square One Centre, which includes two other major department stores, is the second-largest shopping centre in Canada. The Toronto operation was further strengthened by the addition of a new 207,000 sq. ft. merchandise distribution centre. Our eighth

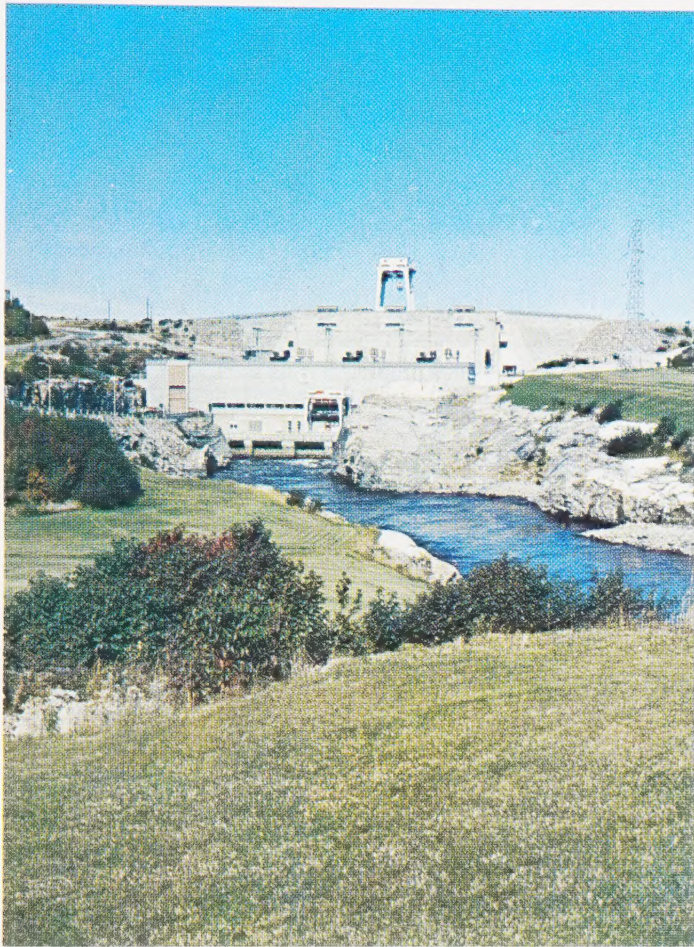
store in the Montreal area (135,000 sq. ft.), was opened as part of an expansion of Place Versailles, a successful, established centre in east Montreal. The store (123,000 sq. ft.) at the new Bayshore Shopping Centre in suburban Ottawa is our sixth in the national capital area. In the West, we opened our sixth Vancouver area store (96,000 sq. ft.) in the new Company-owned Champlain Heights Shopping Centre.

In Ottawa, the former A. J. Freiman Limited department stores began operating as The Bay last June. This preceded the opening of the new Bayshore suburban store and of a 115,000 sq. ft. distribution centre. In addition, the fourth and fifth floors of the downtown store were completely modernized and Bay merchandise profiles and personnel policies were adopted.

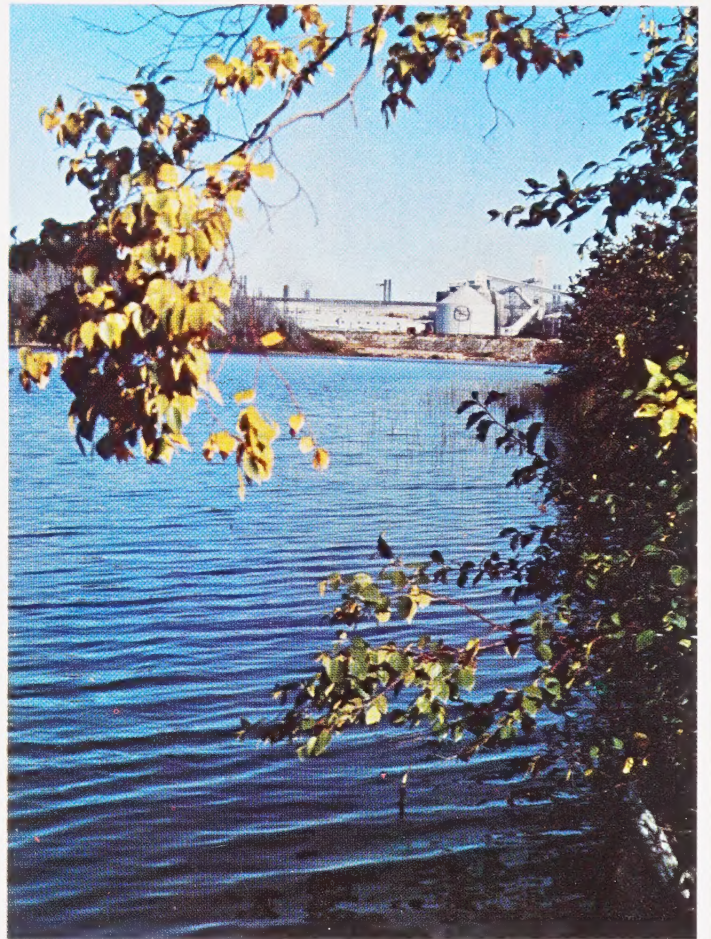
The Company's program of increasing its services to Northern Canada and to selected communities outside the major metropolitan areas continued. A new store of 64,000 sq. ft. was opened in Baie Comeau, Quebec, to replace older premises which we have occupied in that aluminum- and paper-producing community since its establishment in 1938. In the British Columbia interior, stores of 25,000 sq. ft. and 17,000 sq. ft. respectively, were opened in new shopping centres in Smithers and 100 Mile House. Six smaller stores were rebuilt, 17 others enlarged and four closed.

Retail facilities in use at the year end totalled 11,861,000 sq. ft., an increase of 13.6% from a year ago. Of this space, 76% is owned and the remainder leased.

Baie Comeau, Quebec
a* "Manic" 1, built in 1964 near Baie Comeau, is one of five major power dams on the Manicouagan River.
b* Part of the aluminum smelting facilities of Canadian Reynolds Metals Company, Limited.
c* Plant and office of Quebec North Shore Paper Company.
d* New store facing Ave. Lasalle is one of two Bay stores serving 30,000 people of Baie Comeau and Hauterive area.



a*
c*



b*
d*



GLASS

SHOPRITE

CATALOGUE STORE



Principal store openings planned for the next two years are summarized in the following table:

City	Shopping Centre	Store Size (Sq. ft.)	To Open
Toronto	Yonge & Bloor (downtown)	260,000	1974
Toronto	Towne & Countrye Square	124,000	1974
Calgary	Southcentre	165,000	1974
Montreal	Place Vertu	122,000	1975
Winnipeg	Unicity Mall	120,000	1975
Vernon	Vernon Shopping Centre	82,000	1975

The G. W. Robinson Company Limited of Hamilton, Ontario, an associated company, opened its fourth store (97,000 sq. ft.) in the Eastgate Shopping Centre last year.

In 1972 the Company acquired a small chain of four catalogue stores. From this base the operation, trading under the name "Shop-Rite," has been expanded to 40



Linda Kadonoff, Manager of the Square One store, like most Shop-Rite employees joined the Company within the past year.

stores located in Toronto and Southern Ontario. Each store is approximately 12,000 sq. ft. of which one third is showroom and

the remainder warehouse. The full colour catalogue, which is an essential part of the operation, has been enlarged to 200 pages and is widely distributed in the areas in which the stores are located. In recent years catalogue stores have become increasingly popular in North America and in certain parts of the United Kingdom, and are designed to appeal through limited service and convenient locations to value-conscious customers.

Wholesale A strong consumer demand across the country and acquisitions on Vancouver Island and in Montreal were the principal reasons for a 21.4% increase in Wholesale volume. Margins which are traditionally narrow were improved somewhat, and economies of operation were achieved in branches which had been purchased in recent years. As a result, Wholesale profits were ahead by 22%. The growth of this operation as shown in the ten-year summary is a great credit to management and personnel of the department.

Fur The spectacular climb in demand and price for fur which began from depressed levels in mid 1971, continued through most of the year culminating in record prices for many varieties in December 1973. Each of the Company's auction houses succeeded in attracting increased offerings: New York and Montreal in North American ranched mink and wild furs; Hudson's Bay and Annings Ltd. in London (59% owned) in Karakul, European ranched mink and general furs. While there were signs in January 1974 of at least a temporary levelling-off of prices, no major declines are anticipated in the short term at least.

Customers inspect catalogue merchandise displayed at one of the 14 Toronto Shop-Rite stores.

Natural Resources

The composition of our natural resource investment was changed significantly during the past year. As mentioned on page 3, all the shares of Hudson's Bay Company Resources Limited, the beneficial owner of mineral rights on 4,500,000 acres in Western Canada, were transferred in June to Siebens Oil & Gas Ltd., in exchange for 2,800,000 Treasury shares of Siebens. At the same time, Hudson's Bay Company purchased a further 403,000 shares of Siebens for \$13 per share. As a result, we now own 35% of the outstanding Siebens' shares.

Revenue from mineral rights, which amounted to \$3,100,000 in 1972 and to \$1,600,000 for the first four months of 1973, accrued to Siebens from June 1, 1973. From that date, under equity accounting principles, Hudson's Bay Company has consolidated 35% of Siebens' profits. For the eight months ended January 31, 1974, this amounted to \$760,000 after tax.



Your Company now owns 4,008,656 common shares of Hudson's Bay Oil & Gas Company Limited, 21.2% of the outstanding shares. However, 2,083,334 of these shares are held in escrow for exchange of the 6% debentures issued earlier this year and described more fully on page 3. At the option of the holder, the debentures are exchangeable for HBOG shares at a price of \$48 per share. When the debentures are fully exchanged, our ownership of HBOG will be reduced to approximately 10%.

Hudson's Bay Oil and Gas Company Limited

Earnings of Hudson's Bay Oil and Gas Company Limited (21.2% owned) were up 42% to \$39,370,000 (\$2.07 per common

share). The marked improvement was primarily attributable to greater production volumes and higher selling prices.

Gross operating revenues totalled \$136,400,000, up 26%. Production of crude oil and natural gas liquids increased by 6.2% to 78,000 barrels per day and sales of natural gas averaged 364 million cubic feet per day, up 3.2%. A large part of the price increases for oil and natural gas which occurred during 1973 was not in effect for the full year. This should lead to further improvement in revenues for 1974.

Capital expenditure and exploration expenses totalled \$54,300,000 in 1973, an increase of 10.8%. Capital spending for 1974, estimated at \$75,000,000, will be higher because of an expanded exploration program and larger outlays for natural gas processing facilities. HBOG added to its potential future reserves by acquisition of a 14.6% interest in 103,000 acres of Athabasca oil sand leases owned jointly with four other companies. The group applied in January 1974 for approval of a mining and processing project which would produce 122,500 barrels per day of synthetic crude oil with initial production anticipated in 1982.

HBC's equity in the earnings of HBOG amounted to \$8,300,000, of which 36.2% was received in dividends. The semi-annual dividend was increased from 30¢ per share in January 1973, to 35¢ per share in June 1973, and to 40¢ per share in January 1974.

Siebens Oil & Gas Ltd. Earnings of Siebens Oil & Gas Ltd. (35% owned) were \$3,244,000 (36¢ per share) for the 14 months ended October 31, 1973. This compares with earnings of 11¢ a share for the previous 12-month period.

Earnings for the first quarter of the current fiscal year which ended on January 31, 1974, were 9¢ per share, up 12.5% from the comparable period a year earlier. All figures have been adjusted to reflect combined earnings of Siebens Oil & Gas Ltd. and Hudson's Bay Company Resources Limited.

During the past year Siebens acquired royalty interests in the Athabasca Tar Sands and exploration rights in off-shore South Viet Nam. Siebens Oil & Gas (U.K.) Ltd., 27% owned by Siebens, contracted the Pacesetter I, a semi-submersible drilling vessel, to drill at least three wells on its production licences in the North Sea in 1974.

Western Pacesetter I was completed last year in Texas, crossed the Atlantic under her own power and will drill three wells this year on Siebens' North Sea holdings.





Real Estate

With the acquisition of a 64.1% interest in Markborough Properties Limited in December, your Company's property operations have taken on a new and greater significance.

Our real estate interests relating to retailing would have warranted a comment in this report, separate from merchandising, even without the Markborough investment.

These interests consist primarily of whole or partial ownership of a number of shopping centres in major Canadian cities.

The important developments in 1973 relating to these shopping centre holdings included:

1. Completion of the Champlain Heights Shopping Centre, a 100% owned, 16-acre neighbourhood centre in South Vancouver with gross leasable area of 186,400 sq. ft. The Centre includes a Bay department store and 32 other tenants.
2. Completion of Richmond Centre, a 100% owned, 11-acre development adjacent to the Richmond Square regional centre in suburban Vancouver. Richmond Centre has gross leasable area of 180,000 sq. ft. and includes a Bay department store completed in 1969, and a 30-store mall opened in 1973.
3. Purchase of the assets of the Cloverdale Shopping Centre in Toronto. This is a successful centre with 324,000 sq. ft. of gross leasable area on a 30-acre site. It includes The Bay and 54 other tenants. Plans for expansion of this centre are presently under consideration.
4. Commencement of construction on Southcentre in Calgary, Alberta, a \$20,000,000, 53-acre regional centre in which the Company has an 80% partnership interest. This centre will have a gross leasable area of 556,000 sq. ft. when completed in the summer of 1974. It will be a two-level enclosed mall with 100 specialty stores anchored by The Bay and Eaton's department stores. Long term financing covering the total cost of construction of Southcentre has been arranged.

Well advanced negotiations for the sale of a half interest in Beaver House, the former head office of the Company in London, England, were terminated at their virtual conclusion by the prospective purchaser because of the then worsening U.K. economic crisis.

A children's playground exemplifies imaginative property use at the Company's Champlain Heights Shopping Centre in Vancouver

Markborough Properties Limited Earnings of Markborough Properties Limited (64.1% owned) were \$6,065,000 (\$1.53 per share) for the year ended October 31, 1973, compared with \$984,000 (26¢ per share) in the previous year. Earnings for the first quarter of the current year were 34.7¢ per share, compared to a loss of .8¢ per share in the previous first quarter.

Dennis Harris, Retail Development executive points out features of the Bay store at the Bloor and Yonge development, Toronto



Revenue from land sales increased during the last fiscal year from \$7,000,000 to \$29,500,000. Approximately one half of this land revenue was derived from the sale of residential lots in Meadowvale, a new community being developed by Markborough in the western environs of Toronto. Revenue from income properties increased 17% to \$6,100,000.

In December 1973 Markborough acquired a one sixth interest in a 12-acre site at College and Yonge Streets in downtown Toronto. It is anticipated redevelopment of this site will commence within the next five years.

Markborough's profits less minority interest have been included in the earnings of HBC from December 1, 1973.

Board We were pleased to welcome two new directors during the year. Mrs. André Leman of Montreal was appointed in May 1973, and is the first woman to serve on the Board. Sir Burke Trend joined the Board in November. Following a distinguished career in the service of the U.K. Government, he was recently appointed Rector of Lincoln College, Oxford.

It is with deep sadness that we record the death on March 24, 1974, of Mr. T. N. Beaupré, a director since 1963. He was an effective contributor to the welfare and development of the Company, and his sound judgement and good cheer will be greatly missed by his colleagues on the Board, and in the Canadian business community.

Historic Occasions Arrangements were made during the year to deposit the Company's Archives in the modernized Manitoba Archives Building in Winnipeg in 1974. The



Edward Hanlon brings 30 years' experience to the grading of mink at Hudson's Bay and Annings Limited.

Archives, containing some 80 tons of historic documents carefully preserved by the Company from as far back as 1670, are now located at Beaver House, London. After the transfer, major portions of the Archives will continue to be accessible in London and in Ottawa on microfilm.

The Nonsuch, replica of the Company's first ship, was donated to the Manitoba Museum in accordance with arrangements made prior to her construction in 1968.

During her four-year sailing career, she has delighted spectators and visitors in four countries and in ports as far apart as Falmouth, England, and Tacoma, Washington.

We are pleased that the opening of the Archives and the Nonsuch exhibit will both occur in Winnipeg in 1974, the Centennial Year of that City, which developed from the Company's Fort Garry at the junction of the Assiniboine and Red Rivers.

Personnel A company is only as strong as the people who work on its behalf and in this respect we are indeed fortunate. Over 18,000 employees have worked together with enthusiasm and dedication throughout the past year and to them the Board wishes to extend its sincere appreciation.

Outlook The outlook for the Canadian economy has been clouded somewhat, largely by external factors, the energy crisis, and continuing inflation. As a result, even though our internal operating projections are positive, predictions for the year must be tempered with caution. We expect that the rate of growth of retail sales in Canada in 1974 may not match the healthy increases experienced in the last two years. Because of our retail expansion and the accumulating benefits of central merchandising programs, development of our own sales is expected to be satisfactory and, as always, the challenge will be to hold profit margins as costs continue to rise. Our Wholesale operation should maintain its growth and benefit from further efficiencies arising from recent acquisitions. In the fur business, which is traditionally subject to severe price fluctuations and has enjoyed three years of rising prices, the outlook is reservedly optimistic. We anticipate good earnings from Markborough in 1974. The inclusion of such earnings for the full year will have a positive effect on the results of HBC.

Capital expenditure on merchandising and real estate activities is estimated at \$57,700,000 this year, virtually unchanged from 1973.

On behalf of the Board:
G. T. RICHARDSON,
Governor.
D. S. McGIVERIN,
President.

March 25, 1974



*Ranched raised mink on show
prior to auction at Hudson's
Bay and Annings Limited in
London.*

Markborough Properties Limited

(64.1% owned by Hudson's Bay Company)

A 3,000 acre new town in the country is Markborough's principal project and source of most of its land sale revenues. It is called Meadowvale and is located about 30 minutes by freeway from the Toronto City Hall. It will include parks, shops, a lake, a 650 acre industrial park and when fully developed, homes for 60,000 people.

Exclusive of Meadowvale, Markborough owns 2700 acres of raw land for future development.

Markborough's income properties consist of whole or partial ownership of ten apartment buildings and 13 office or industrial buildings, all in Toronto, and a 50% interest in the Regina Centre Hotel and commercial complex. A number of shopping centres and commercial buildings are under construction or in the planning stage.

Markborough's credo as expressed in its most recent annual report is as follows:

"We make land work.

We take a piece of sleeping land in one hand,

a fitting idea in the other, and bind them into one: useful, attractive and profitable.



We scout fresh land, assemble it in workable packages, develop it immediately or lease it out until it's ready for use.

We determine the best uses for land, then work with the appropriate governments to achieve those uses.

We service land: installing water and sewage systems, hydro, roads and sidewalks. We sell this serviced land to builders, but only under rigid controls, demanding that the spirit of our plan be as strictly adhered to as the legalities. We balance our raw land holdings, replenishing our bank as packages are serviced and sold. We build our portfolio of income properties so there will be a cash base



against periods of slow land development.

We develop, design, and build industrial, commercial and residential properties, either on our own or in joint venture.

We do this with a small number of people. Keep the quality high, we believe, and the numbers low. Get the best, pay them well and give them their heads.

This precept works for us."







Hudson's Bay Company

INCORPORATED 2ND MAY 1670

CANADIAN OPERATIONS JANUARY 31, 1974

RETAIL STORES

Over 175,000 sq. ft. (9) ...
75 to 175,000 sq. ft. (22) ...
Under 75,000 sq. ft. (225).

WHOLESALE BRANCHES (29)

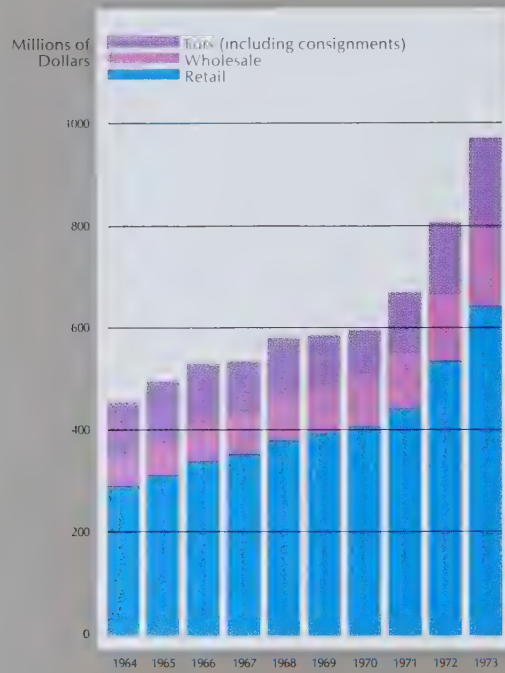
FUR AUCTION (1)

FUR OFFICES (10)

Excludes Shop-Rite stores in Ontario (40)



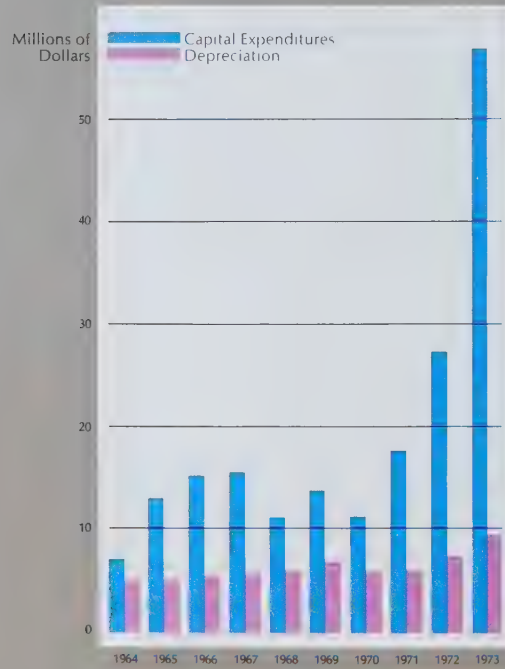
SALES



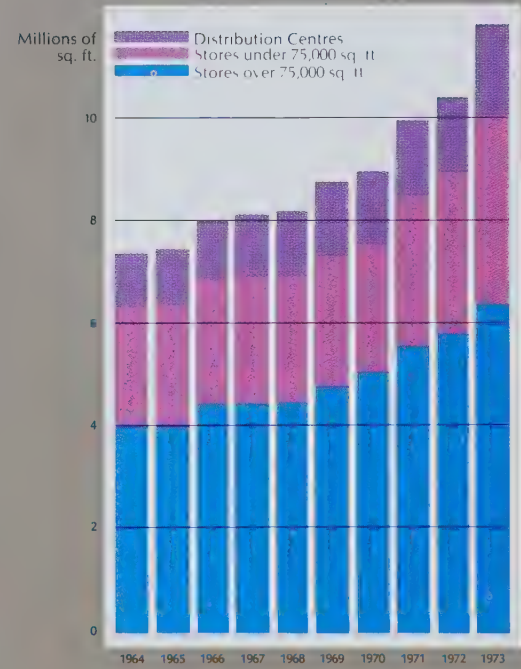
EARNINGS



CAPITAL EXPENDITURES AND DEPRECIATION (Land, Buildings and Equipment)



RETAIL FACILITIES



HUDSON'S BAY COMPANY & SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS
Year Ended January 31, 1974

	This Year \$	Last Year \$
REVENUE		
Sales		
Retail	640,813,000	538,843,000
Fur	10,154,000	6,986,000
Wholesale	153,367,000	126,328,000
	<u>804,334,000</u>	<u>672,157,000</u>
Revenue from real estate	3,859,000	—
	<u>808,193,000</u>	<u>672,157,000</u>
Other income		
Royalties from mineral rights	1,635,000	3,122,000
Dividends from Hudson's Bay Oil & Gas Company Limited	3,006,000	2,405,000
Equity in pre-tax earnings of affiliates and joint ventures (Note 2a)	1,998,000	861,000
Other investment income	<u>88,000</u>	<u>86,000</u>
	<u>814,920,000</u>	<u>678,631,000</u>
COSTS AND EXPENSES		
Costs & expenses other than those listed below	760,770,000	634,777,000
Depreciation	9,352,000	7,607,000
Interest on long-term debt	11,784,000	7,464,000
Net short-term interest	<u>(254,000)</u>	<u>1,404,000</u>
	<u>781,652,000</u>	<u>651,252,000</u>
EARNINGS BEFORE INCOME TAXES	33,268,000	27,379,000
INCOME TAXES	<u>15,158,000</u>	<u>11,725,000</u>
EARNINGS BEFORE MINORITY INTEREST	18,110,000	15,654,000
MINORITY INTEREST	<u>446,000</u>	<u>—</u>
NET EARNINGS	<u>17,664,000</u>	<u>15,654,000</u>
EARNINGS PER SHARE (Note 6)	<u>\$1.29</u>	<u>\$1.16</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
Year Ended January 31, 1974

	This Year \$	Last Year \$
RETAINED EARNINGS AT BEGINNING OF YEAR	160,442,000	151,836,000
NET EARNINGS	17,664,000	15,654,000
DIVIDENDS PAID	<u>(7,661,000)</u>	<u>(7,048,000)</u>
RETAINED EARNINGS AT END OF YEAR	<u>170,445,000</u>	<u>160,442,000</u>

HUDSON'S BAY COMPANY & SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
January 31, 1974

	This Year \$	Last Year \$
CURRENT ASSETS		
Cash	4,675,000	12,374,000
Short-term securities at market value	13,012,000	2,704,000
Accounts receivable	156,164,000	137,668,000
Merchandise inventories	129,403,000	103,416,000
Prepaid expenses	3,748,000	3,302,000
	<u>307,002,000</u>	<u>259,464,000</u>
MERCHANDISING INTERESTS		
Land and buildings	110,109,000	96,844,000
Equipment and leasehold improvements	55,386,000	41,080,000
Investments (Note 2a)	3,081,000	2,924,000
Loans under employee stock purchase plan (Note 7)	4,411,000	—
	<u>172,987,000</u>	<u>140,848,000</u>
NATURAL RESOURCE INTERESTS		
Hudson's Bay Oil and Gas Company Limited (Note 2b)	10,095,000	10,095,000
Siebens Oil & Gas Ltd. (Note 2c)	6,210,000	—
	<u>16,305,000</u>	<u>10,095,000</u>
REAL ESTATE INTERESTS		
Land for sale and future development	56,271,000	6,845,000
Income properties	62,559,000	—
Investments (Note 2a)	1,375,000	785,000
Mortgages and other secured receivables (Note 4)	25,600,000	—
Excess of cost over value of net assets at date of acquisition (Note 10)	22,063,000	—
	<u>167,868,000</u>	<u>7,630,000</u>
DEFERRED CHARGES		
Unamortized debenture discount and expense	3,451,000	1,023,000
Other	425,000	—
	<u>3,876,000</u>	<u>1,023,000</u>
	<u>668,038,000</u>	<u>419,060,000</u>

On behalf of the Board:

George T. Richardson

Director

Director

Shirley

Director

Director

	This Year \$	Last Year \$
CURRENT LIABILITIES		
Bank indebtedness	35,125,000	29,203,000
Notes payable.....	24,682,000	10,274,000
Accounts payable and accrued expenses	77,086,000	76,812,000
Income taxes payable	4,344,000	2,333,000
Long-term debt due within one year.....	<u>4,365,000</u>	<u>6,070,000</u>
	<u>145,602,000</u>	<u>124,692,000</u>
LONG-TERM DEBT (Note 3)	<u>264,196,000</u>	<u>87,376,000</u>
PENSIONS (Note 5)	<u>3,456,000</u>	<u>3,666,000</u>
DEFERRED CREDITS		
Deferred income taxes	21,093,000	6,625,000
Provision for land development costs	7,089,000	—
Unamortized excess of book value of subsidiary over cost of acquisition	<u>133,000</u>	<u>266,000</u>
	<u>28,315,000</u>	<u>6,891,000</u>
MINORITY INTEREST IN SUBSIDIARIES	<u>16,180,000</u>	<u>754,000</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)		
Ordinary shares without par value:		
Authorized 20,000,000 shares;		
issued 13,809,268 shares		
(last year 13,553,428 shares)	39,844,000	35,239,000
Retained earnings	<u>170,445,000</u>	<u>160,442,000</u>
	<u>210,289,000</u>	<u>195,681,000</u>
	<u>668,038,000</u>	<u>419,060,000</u>

HUDSON'S BAY COMPANY & SUBSIDIARIES
CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
Year Ended January 31, 1974

	This Year \$	Last Year \$
SOURCE OF FUNDS		
Net earnings for the year	17,664,000	15,654,000
Items not affecting working capital:		
Equity in earnings of affiliates	(1,175,000)	(443,000)
Depreciation and amortization	9,589,000	7,607,000
Deferred income taxes	3,309,000	2,689,000
Provided from operations	29,387,000	25,507,000
Long-term debt	125,512,000	—
Issue of shares—employee stock purchase plan	4,605,000	—
	<u>159,504,000</u>	<u>25,507,000</u>
USE OF FUNDS		
Merchandising interests—		
capital expenditures	36,381,000	24,880,000
Investment in Siebens Oil & Gas Ltd.	5,447,000	—
Acquisition of Markborough		
Properties Limited (Note 10)	48,869,000	—
Real estate interests—		
capital expenditures	20,526,000	2,402,000
Repayment of long-term debt	3,795,000	6,831,000
Employee stock purchase plan	4,411,000	—
Dividends	7,661,000	7,048,000
Deferred charges	3,091,000	—
Other—net	928,000	465,000
	<u>131,109,000</u>	<u>41,626,000</u>
INCREASE (DECREASE) IN WORKING CAPITAL	28,395,000	(16,119,000)
WORKING CAPITAL ACQUIRED		
(Markborough Properties Limited)	(1,767,000)	—
WORKING CAPITAL AT BEGINNING OF YEAR	<u>134,772,000</u>	<u>150,891,000</u>
WORKING CAPITAL AT END OF YEAR	<u>161,400,000</u>	<u>134,772,000</u>
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Cash and short-term securities net of bank		
indebtedness and notes payable	(20,016,000)	(30,950,000)
Accounts receivable	16,369,000	18,617,000
Merchandise inventories	25,987,000	13,582,000
Other	6,055,000	(17,368,000)
	<u>28,395,000</u>	<u>(16,119,000)</u>

HUDSON'S BAY COMPANY & SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
Year Ended January 31, 1974

1. ACCOUNTING POLICIES

- a) The consolidated financial statements include the accounts of Hudson's Bay Company and all its subsidiary companies.
- b) Under the equity accounting principle the Company has reflected in earnings its equity in the income of affiliates and joint ventures in which the Company has either effective control or significant influence over operating and financial policies. The investments in these affiliates and joint ventures are recorded at cost plus undistributed earnings since acquisition or formation. Investments in other companies are accounted for at cost and dividends are reflected in earnings when received.
- c) The accounts of the U.S. and U.K. subsidiaries have been converted into Canadian dollars at approximately the exchange rates prevailing at balance sheet dates.
- d) Merchandise inventories have been valued at the lower of cost and net realizable value.
- e) Buildings other than income properties and equipment and leasehold improvements are being depreciated, using the straight-line method, at rates which will fully depreciate the assets over their estimated useful lives. The depreciation rates applicable to the various classes of assets are as follows:

Buildings	2% - 5%
Leasehold improvements	3% - 5%
Equipment	7% - 15%
Transport	20%

The buildings included in income properties are being depreciated on a 3% 40-year sinking fund basis. Under this method the depreciation charged against earnings is an amount which increases annually and comprises a predetermined fixed sum and 3% compound interest which together will fully depreciate each building over a 40-year period.

Land, buildings, equipment and leasehold improvements included in Merchandising Interests are shown net of accumulated depreciation of \$86,056,000 (last year \$79,834,000). Land for sale and future development and income properties included in Real Estate Interests are shown net of accumulated depreciation of \$5,812,000 (last year \$72,000).

- f) The Company adopts the practice, customary in the real estate industry, of recording in its accounts as land for sale the estimated cost, on a fully-developed basis, of those parcels of land on which the planning, engineering, servicing and governmental authorization procedures are completed to the point that the land can be regarded as available for sale. The amount shown includes raw land costs and full provision for complete development costs as estimated. The unexpended portion of the estimated development costs is carried as a liability.
- g) With effect from February 1, 1973, the Company has capitalized interest and real estate taxes relating to properties held for development and construction in progress. Such charges capitalized in the year ended January 31, 1974 had the effect of increasing net earnings by approximately \$500,000.
- h) Deferred debenture discount and expense are being amortized over the terms of the issues to which they relate. The amortization is included with interest on long-term debt in the consolidated statement of earnings.

2. INVESTMENTS

- a) The following affiliates and joint ventures are accounted for under the equity accounting principle:

	Equity Interest
Merchandising interests	
Owen Owen (Canada) Limited	27%
Natural Resource interests	
Siebens Oil & Gas Ltd.	35%
Real Estate interests	
Woodbine-Sheppard Shopping Centre Limited	25%
Calbax Properties Ltd.	25%
Southgate Shopping Centre Limited	40%
Southcentre Shopping Centre, joint venture	80%
Cote Vertu Shopping Centre, joint venture	25%
Winnipeg West Shopping Centre, joint venture	25%

The Company's equity in the pretax income of the above companies and ventures amounted to \$1,998,000 (last year \$861,000). Income taxes attributable thereto amounting to \$823,000 (last year \$418,000) are included within the consolidated income tax charge.

After the purchase of preferred shares of Owen Owen (Canada) Limited, to which the Company is committed by 1978 (see note 9) and on the conversion of those shares to common shares, the Company's interest in Owen Owen (Canada) Limited will be increased to 49.9%.

b) Hudson's Bay Oil and Gas Company Limited

The investment in Hudson's Bay Oil and Gas Company Limited, carried at cost, is \$10,095,000 representing 4,008,656 common shares (21.2%) of the total issued common shares of that company. Continental Oil Company holds 53.1% of the common shares. The market quotation at January 31, 1974, on the Toronto Stock Exchange was \$44½ per share. Earnings of Hudson's Bay Oil and Gas Company Limited have been included in earnings only to the extent that dividends have been received.

The Company has deposited with The Royal Trust Company 2,083,334 common shares of Hudson's Bay Oil and Gas Company Limited to provide, under the terms of the Trust Deed, for the exchange of \$100,000,000 of Subordinated Debentures of the Company exchangeable for common shares of Hudson's Bay Oil and Gas Company Limited.

c) Siebens Oil & Gas Ltd.

The investment in Siebens Oil & Gas Ltd. is 3,203,000 shares representing 35% of the total issued common shares of that company. The market quotation at January 31, 1974, on the Toronto Stock Exchange was \$18¾ per share. 2,800,000 treasury shares of Siebens Oil & Gas Ltd. were acquired with effect from June 1, 1973 in exchange for all the outstanding common shares of Hudson's Bay Company Resources Limited, whose principal asset consisted of mineral rights underlying approximately 4½ million acres in Western Canada. These shares are recorded at the nominal book value of the shares for which they were exchanged. The remaining 403,000 common shares were purchased at a cost of \$5,447,000.

3. LONG-TERM DEBT

	This Year \$	Last Year \$
Secured on Property		
Hudson's Bay Company Properties Limited		
5¾% first mortgage bonds series A due 1990	12,485,000	12,535,000
7½% first mortgage bonds series B due 1991	8,850,000	9,000,000
Hudson's Bay Company Developments Limited		
Mortgages 8% average		
repayable by instalments to 1988	4,541,000	1,370,000
Hudson's Bay Company (Ottawa) Limited		
4¾% sinking fund bonds series A due 1975	213,000	291,000
6% sinking fund bonds series B due 1979	—	397,000
Markborough Properties Limited		
8½% sinking fund debentures due 1986	10,000,000	—
Mortgages on land for future development		
8.1% average repayable by instalments to 1991	18,449,000	—
Mortgages on income properties		
7.8% average repayable by instalments to 2004	30,475,000	—
Secured on Accounts Receivable		
Hudson's Bay Company Acceptance Limited		
6% debentures series A due 1980	10,000,000	10,000,000
5¾% debentures series B due 1983	10,000,000	10,000,000
9½% debentures series C due 1989	20,000,000	20,000,000
8¾% debentures series D due 1991	20,000,000	20,000,000
8¼% debentures series E due 1993	20,000,000	—
Unsecured		
Hudson's Bay Company		
8½% series A notes due 1974	1,700,000	3,150,000
9¼% series B notes due 1974	600,000	5,000,000
6% exchangeable subordinated debentures due		
1993, sinking fund commencing 1984	100,000,000	—
Hudson's Bay Company (Quebec) Limited		
4¾% debentures due 1976	437,000	455,000
Hudson's Bay Company (Ottawa) Limited		
6½% sinking fund debentures series A due 1981	811,000	1,248,000
	268,561,000	93,446,000
Less instalments due within one year	4,365,000	6,070,000
	<u>264,196,000</u>	<u>87,376,000</u>

3. LONG-TERM DEBT (cont'd)

Maturities and sinking fund requirements during the next five years are as follows:

1974—\$4,365,000; 1975—\$3,071,000; 1976—\$2,630,000; 1977—\$3,591,000; 1978—\$3,458,000.

In addition, the holders of Hudson's Bay Company Acceptance Limited series C debentures will have the right to elect to be prepaid in 1975.

The holders of Hudson's Bay Company 6% exchangeable subordinated debentures have the right to exchange debentures for outstanding common shares of Hudson's Bay Oil and Gas Company Limited at an exchange price of \$48 per share at any time prior to maturity.

4. MORTGAGES AND OTHER SECURED RECEIVABLES

Mortgages and other secured receivables, which arise from land transactions, bear interest at an average rate of 8.7% and mature as follows:

Year ending January 31,	1975	\$ 1,547,000
	1976	16,922,000
	1977	4,645,000
	1978	537,000
	1979	1,619,000
Subsequent to January 31, 1979		330,000
		<u>\$25,600,000</u>

Under certain conditions, the amounts due may be paid prior to maturity.

5. PENSIONS

The unfunded obligation for pensions earned by past service under pension plans is estimated at \$3,456,000 net of related deferred income taxes. It is anticipated that payments to pensioners and funding payments will satisfy this obligation by 1985.

6. CAPITAL STOCK

	Number of Common Shares	\$ Value
Issued and outstanding February 1, 1973	13,553,428	35,239,000
Issued under Stock Purchase Plan	255,840	4,605,000
Issued and outstanding January 31, 1974	<u>13,809,268</u>	<u>39,844,000</u>

Earnings per share calculations are based on the weighted average number of shares outstanding during the year.

7. STOCK PURCHASE PLAN

In connection with employee stock purchase plans established during the year, 255,840 common shares were issued from Treasury to employees, at \$18 per share, the purchase being financed by loans advanced by the Company and repayable over a period of ten years from the date of issuance. Such loans due from officers of the Company at January 31, 1974 amounted to \$267,000.

8. REMUNERATION OF DIRECTORS AND OFFICERS

Aggregate remuneration of 19 directors, two of whom retired, in their capacity as directors, was \$103,000. Aggregate remuneration of eight officers, in their capacity as officers, was \$539,000. Six of the officers were also directors.

9. COMMITMENTS

Minimum annual rentals under major property leases amount to approximately \$5,980,000 for which the average term is 22 years.

The Company has commitments, along with others, relating to its investments in certain shopping centre companies and joint ventures. These are:

- A commitment to meet certain obligations of two shopping centre companies in the event of their default in payment of long-term mortgage bonds secured by the assets of these two companies.
- A commitment, relating to the issue of first mortgage bonds secured by the assets of a shopping centre joint venture, to complete construction of the shopping centre.
- The guarantee, severally, of bank loans representing interim financing of the construction cost of two shopping centre joint ventures.

In the event that the Company had to meet any of these commitments, it would have a claim upon the assets of the applicable shopping centre. The book value of the assets of each shopping centre exceeds the related Company commitment.

The Company has agreed to purchase additional convertible preferred shares of Owen Owen (Canada) Limited at various dates to 1978 at amounts aggregating \$2,537,000.

10. ACQUISITION OF SHARES IN MARKBOROUGH PROPERTIES LIMITED

Under the terms of certain share purchase options and of an offer to purchase, dated November 16, 1973, the Company acquired 2,557,992 common shares (64.1%) of Markborough Properties Limited. The acquisition was satisfied by cash payments aggregating \$48,602,000 and acquisition costs amounted to \$267,000. This transaction has been accounted for by the purchase method and the operating results of Markborough Properties Limited have been consolidated with effect from December 1, 1973. The purchase price has been allocated as follows:

Net assets at November 30, 1973, at Markborough's book value	\$31,386,000
Adjustment to fair value for land for sale and future development and to income properties	10,400,000
Minority interest	(14,980,000)
Excess of cost over fair value of net tangible assets at November 30, 1973	22,063,000
	<u>\$48,869,000</u>
Represented by:	
Land for sale or for future development	\$47,032,000
Income properties	44,968,000
Other assets	30,557,000
Liabilities	(69,612,000)
Deferred income taxes	(11,159,000)
Minority interest	(14,980,000)
Goodwill	22,063,000
	<u>\$48,869,000</u>

11. CONTINGENT LIABILITY

Under the terms of the employee stock purchase plans described in note No. 7, the Company will contribute \$1 for each \$9 of employee contributions provided that the employees fulfill certain service commitments and do not sell the stock prior to the expiry of the commitment period. In addition, should the stock price at the end of the commitment period be more than 11% below the price at which the stock was purchased by employees, further amounts, being the difference between current market value on the commitment date and 89% of the purchase price, will be paid by the Company to the employees.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Hudson's Bay Company and subsidiaries as of January 31, 1974 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. For Hudson's Bay Company and for those subsidiaries of which we are the auditors and which are consolidated in these financial statements, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For Markborough Properties Limited which is consolidated and for investments in companies accounted for by the equity method in these financial statements we have relied on the reports of the auditors who have examined the financial statements of these companies for their respective latest fiscal years, and have obtained such other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Hudson's Bay Company and subsidiaries as of January 31, 1974 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles which, except for the change in the basis of accounting referred to in note 1(g) to the consolidated financial statements, were applied on a basis consistent with that of the preceding year.

Winnipeg, Canada
8th March, 1974

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Principal Subsidiary Companies

(wholly-owned unless otherwise indicated)

INCORPORATED IN CANADA

HUDSON'S BAY COMPANY ACCEPTANCE LIMITED
Purchases accounts receivable

HUDSON'S BAY COMPANY DEVELOPMENTS LIMITED
Property owning company

HUDSON'S BAY COMPANY INVESTMENTS LIMITED
Investment holding company

HUDSON'S BAY COMPANY (OTTAWA) LIMITED
Property owning company

HUDSON'S BAY COMPANY PROPERTIES LIMITED
Property owning company

HUDSON'S BAY COMPANY PROPERTIES (QUEBEC) LIMITED
Property owning company

HUDSON'S BAY COMPANY (QUEBEC) LIMITED
Operating subsidiary in Quebec

MARKBOROUGH PROPERTIES LIMITED
Property development company
2,557,992 common shares (64.1%)

INCORPORATED IN THE UNITED STATES OF AMERICA

HUDSON'S BAY COMPANY, INC.
Wholesale distributors of HBC "Point" Blankets, whiskies and rums

HUDSON'S BAY COMPANY FUR SALES INCORPORATED
Fur brokers

INCORPORATED IN ENGLAND

HUDSON'S BAY AND ANNINGS LIMITED
Fur brokers
147,500 ordinary shares (59%)

BEAVER HOUSE LIMITED
Property owning company

Principal Equity Investments

CALBAX PROPERTIES LIMITED
Owns and operates shopping centre in Calgary, Alberta
1,000 common shares (25%)

THE GLENLIVET DISTILLERS LIMITED
Distillers and bottlers
254,000 ordinary shares (3.3%)

HUDSON'S BAY OIL AND GAS COMPANY LIMITED
Petroleum exploration and production
4,008,656 common shares (21.2%)

OWEN OWEN (CANADA) LIMITED
Owns The G. W. Robinson Company Limited, which operates department stores in metropolitan Hamilton
108,178 common shares; (27%)

SIEBENS OIL & GAS LTD.
Petroleum exploration and production
3,203,000 shares (34.9%)

SOUTHGATE SHOPPING CENTRE LIMITED
Owns and operates shopping centre in Edmonton, Alberta
800 common shares (40%)

WOODBINE-SHEPPARD SHOPPING CENTRE LIMITED
Owns and operates shopping centre in Toronto, Ontario
25 common shares (25%)

HUDSON'S BAY COMPANY & SUBSIDIARIES

TEN-YEAR FINANCIAL SUMMARY

RESULTS FOR YEAR (\$000's)	1973	1972	1971	1970
Sales				
Retail	640,813	538,843	440,648	406,096
Fur (including consignments)	177,404	138,652	115,624	86,533
Wholesale	153,367	126,328	111,519	102,769
	971,584	803,823	667,791	595,398
Other revenue	8,588	5,613	5,020	4,459
	980,172	809,436	672,811	599,857
Source of earnings				
Retail	27,666	23,738	19,225	17,929
Fur	4,968	2,993	2,541	328
Wholesale	4,051	3,316	3,137	2,668
Merchandising interests	36,685	30,047	24,903	20,925
Natural resource interests	5,852	5,485	4,927	4,410
Real estate interests	2,261	715	—	—
Finance costs	(11,530)	(8,868)	(6,719)	(5,634)
Earnings before taxes	33,268	27,379	23,111	19,701
Income taxes	15,158	11,725	9,798	8,729
Earnings before minority interest	18,110	15,654	13,313	10,972
Minority interest	446	—	—	—
Net earnings	17,664	15,654	13,313	10,972
Dividends	7,662	7,048	7,048	6,828
Earnings retained	10,002	8,606	6,265	4,144
Cash flow	29,387	25,507	21,277	18,207
Capital expenditures	56,907	27,282	17,849	11,124
Depreciation	9,352	7,607	6,342	5,963
YEAR END FINANCIAL POSITION (\$000's)				
Merchandising interests	328,410	308,929	272,711	246,665
Natural resource interests	16,305	10,095	10,095	10,095
Real estate interests	197,111	7,630	5,127	2,069
Assets employed	541,826	326,654	287,933	258,829
Debt	315,357	130,219	100,478	78,696
Minority interest	16,180	754	380	—
Shareholders' equity	210,289	195,681	187,075	180,133
PER SHARE RESULTS (Dollars)				
Net earnings	1.29	1.16	.98	.81
Earnings including equity in undistributed earnings of HBOG	1.67	1.39	1.17	.96
Dividends	.56	.52	.52	.50
Shareholders' equity	15.23	14.44	13.80	13.29
SHAREHOLDERS AND EMPLOYEES				
Number of shareholders	24,474	24,880	25,558	28,945
Shares outstanding (000's)	13,809	13,553	13,553	13,553
Range in share price	22¾-15	21½-16½	20-14½	22-11½
Number of employees	18,000	17,000	16,000	15,000

Notes: 1. Figures have, where appropriate, been restated for the purpose of comparability.

2. Non-recurring items have been excluded from earnings and cash flow but have been included in shareholders' equity.

1969	1968	1967	1966	1965	1964
393,556	377,732	355,417	339,962	312,357	291,884
98,971	116,901	95,761	116,082	116,010	103,494
<u>91,266</u>	<u>83,998</u>	<u>78,690</u>	<u>71,029</u>	<u>63,351</u>	<u>57,732</u>
583,793	578,631	529,868	527,073	491,718	453,110
<u>4,239</u>	<u>4,277</u>	<u>4,230</u>	<u>3,678</u>	<u>3,474</u>	<u>3,207</u>
588,032	582,908	534,098	530,751	495,192	456,317
20,319	21,666	20,989	19,971	18,111	17,013
1,033	2,184	936	1,736	2,052	1,637
<u>2,361</u>	<u>2,650</u>	<u>2,482</u>	<u>2,217</u>	<u>1,526</u>	<u>1,160</u>
23,713	26,500	24,407	23,924	21,689	19,810
4,193	4,232	4,185	3,628	3,430	3,167
—	—	—	—	—	—
<u>(4,117)</u>	<u>(3,297)</u>	<u>(2,998)</u>	<u>(2,448)</u>	<u>(1,962)</u>	<u>(1,959)</u>
23,789	27,435	25,594	25,104	23,157	21,018
<u>10,832</u>	<u>12,732</u>	<u>11,486</u>	<u>11,640</u>	<u>10,848</u>	<u>9,741</u>
12,957	14,703	14,108	13,464	12,309	11,277
—	—	—	—	—	—
<u>12,957</u>	<u>14,703</u>	<u>14,108</u>	<u>13,464</u>	<u>12,309</u>	<u>11,277</u>
6,980	6,872	7,929	7,929	5,352	4,749
<u>5,977</u>	<u>7,831</u>	<u>6,179</u>	<u>5,535</u>	<u>6,957</u>	<u>6,528</u>
20,419	21,574	20,527	19,077	17,571	16,503
14,039	10,995	15,814	15,549	12,912	7,452
<u>6,966</u>	<u>6,198</u>	<u>5,907</u>	<u>5,613</u>	<u>5,166</u>	<u>5,115</u>
235,013	200,430	191,819	184,807	164,104	154,013
10,095	10,095	10,095	10,095	10,095	10,095
<u>1,635</u>	<u>1,645</u>	<u>1,520</u>	<u>715</u>	<u>620</u>	<u>622</u>
246,743	212,170	203,434	195,617	174,819	164,730
69,871	41,613	41,978	41,318	28,413	26,457
—	—	—	—	—	—
<u>176,872</u>	<u>170,557</u>	<u>161,456</u>	<u>154,299</u>	<u>146,406</u>	<u>138,273</u>
.96	1.08	1.04	.99	.91	.83
1.09	1.19	1.12	1.06	.95	.87
.51	.51	.59	.59	.39	.35
<u>13.05</u>	<u>12.58</u>	<u>11.91</u>	<u>11.38</u>	<u>10.80</u>	<u>10.20</u>
32,142	31,066	30,201	30,959	29,538	28,753
13,553	13,553	13,553	13,553	13,553	13,553
25¼-17	27¼-19¾	22¾-15¾	17-14½	16¼-12¾	17¾-14½
<u>15,000</u>	<u>15,000</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>

Board

GEORGE T. RICHARDSON

Winnipeg
President, James Richardson & Sons, Limited
Governor

A. J. MacINTOSH, Q.C.

Toronto
Partner, Blake, Cassels & Graydon
Deputy Governor

D. S. McGIVERIN

Toronto
President

H. W. SUTHERLAND

Winnipeg
Senior Vice President

R. E. SHEEN

Toronto
Vice President, Merchandising

P. W. WOOD

Toronto
Vice President, Finance

† T. NORBERT BEAUPRÉ

Montreal
Chairman of the Board and President, Domtar Limited

THE RT. HON. LORD COBBOLD, K.G., P.C., G.C.V.O.

London
Director, The British Petroleum Company Limited

G. R. HUNTER, M.B.E., Q.C.

Winnipeg
Partner, Pitblado & Hoskin

M. W. JACOMB

London
Director, Kleinwort, Benson Limited

Mrs. ANDRÉ LEMAN

Montreal
Travel Consultant

J. G. LINKS, O.B.E.

London
Director, Calman Links Limited

W. D. C. MACKENZIE

Calgary
President, W. D. C. Mackenzie Consultants Ltd.

A. M. McGAVIN

Vancouver
Chairman of the Board, McGavin Toastmaster Limited

J. H. MOORE

London, Ontario
President, Brascan Limited

J. BARTLETT MORGAN

Montreal
Chairman of the Board, The Morgan Trust Company

THE RT. HON. SIR BURKE TREND, P.C., G.C.B., C.V.O.

Oxford, England
Rector, Lincoln College

† Deceased March 24, 1974.

Senior Management

A. ADAMIC
General Manager, Central Region

D. G. BUCKLEY
General Manager, Western Region

G. A. BURROWS
General Manager, Wholesale Department

J. E. CHURCH
Senior Group Merchandise Manager

A. CLEVEN
Manager, Fur Sales Department, Montreal

P. L. DAVIES
Managing Director, Hudson's Bay and Annings Limited

C. E. DRURY
General Manager, Shop-Rite Catalogue Stores

C. W. EVANS
Executive Assistant to the President

A. A. GUGLIELMIN
General Manager, Toronto Metropolitan District

L. J. HENRY
President, Hudson's Bay Company Fur Sales Incorporated

A. R. HUBAND
Secretary

G. J. KOSICH
General Manager, Calgary Metropolitan District

M. H. MacKENZIE
Director of Personnel

J. G. W. McINTYRE
Vice President, Retail Development

A. R. MURRAY
General Manager, Montreal Metropolitan District

D. H. PITTS
General Manager, Northern Stores Department

T. I. RONALD
Treasurer

G. H. ROSTON
General Manager, Ottawa Metropolitan District

H. L. SPELLISCY
General Manager, Edmonton Metropolitan district

D. O. WOOD
Controller, Retail Stores

Corporate Information

HEAD OFFICE
Hudson's Bay House, 77 Main Street,
Winnipeg, Manitoba R3C 2R1

PRINCIPAL BANKERS
*Canadian Imperial Bank of Commerce
Bank of Montreal*

REGISTRARS AND TRANSFER AGENTS
*The Royal Trust Company, Calgary, Montreal, Toronto,
Vancouver and Winnipeg
Williams & Glyn's Registrars Limited, London*

STOCK EXCHANGE LISTINGS
Montreal, Toronto, and London

AUDITORS
Peat, Marwick, Mitchell & Co.

The Company - A Brief Description



INCORPORATION

King Charles II granted to 18 Adventurers a Charter incorporating them as The Governor and Company of Adventurers of England Trading into Hudson's Bay on May 2, 1670. This followed the successful voyage of the ketch "Nonsuch," with Des Groseilliers aboard, to Hudson Bay to trade for furs.

In 1970, three hundred years after its incorporation, the Company was continued as a Canadian Corporation and the headquarters were transferred from the United Kingdom to Canada.

COMPETITION

During the first century of the Company's existence the men on the Bay established forts, traded with the Indians and were involved in wars with the French.

As competition from the Montreal-based North West Company increased in the 1770's, the Company moved into the interior and gradually built a network of routes and forts spread out over the north and west. The two rival companies amalgamated under the Hudson's Bay Company name in 1821.

DEED OF SURRENDER

In 1870, by Deed of Surrender, the Company's chartered territory was formally transferred to the Government of Canada in return for farm lands in the Prairie Provinces which were sold to settlers during the next 85 years.

Following the Deed of Surrender the Company turned its attention to the retail trade which is now its most important activity.

THE COMPANY TODAY

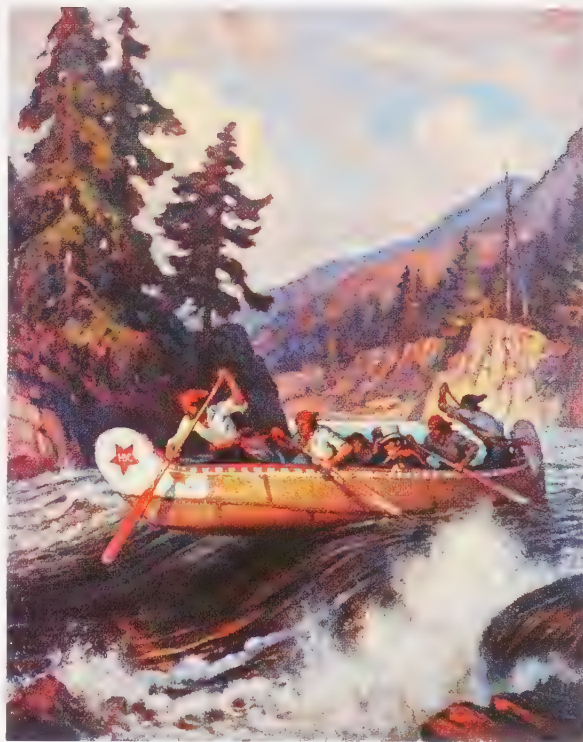
Merchandising... More than 250 stores, ranging from Newfoundland to the Yukon and from the Arctic Islands to the United States border, serve the diversified needs of Canadians. The Bay is strongly represented in ten of Canada's important cities and is the leading retailer throughout the Canadian North. Forty Shop-Rite Catalogue Stores are located in Southwestern Ontario.

The Company maintains its traditional interest in fur with auction houses in Montreal, New York and London.

The Wholesale Department distributes giftwares, confectionery, and tobacco products through a network of branches located from coast to coast. The Company's famous blankets and spirits are sold throughout Canada and the United States.

Natural Resources ... The Company's natural resource interests consist of equity investments in two Canadian petroleum companies. HUDSON'S BAY OIL AND GAS COMPANY LIMITED, 21.2% owned, was formed in the 1920's as a joint venture between HBC and Continental Oil Company, and is today one of Canada's leading exploration and production companies. Most of its current production of oil and natural gas is from the province of Alberta. Exploration rights are owned in Western Canada, the Arctic Islands and the Atlantic Coast, and arrangements have recently been completed for exploration activities outside Canada. SIEBENS OIL & GAS LTD., 35% owned, is a Canadian company whose emphasis at this stage of its development is on exploration. Siebens holds exploration rights in many areas of the world including Western Canada, the Arctic Islands, the Atlantic Coast, the North Sea and South Viet Nam. Most of its current production is from royalty rights acquired in 1973 from HBC.

Real Estate ... The Company's real estate interests consist principally of whole or partial ownership of six shopping centres in Vancouver, Edmonton, Calgary and Toronto; ownership of Beaver House



Limited in London, England; and of a 64.1% interest in MARKBOROUGH PROPERTIES LIMITED. Markborough is a Canadian property development company with substantial holdings of residential, commercial and industrial properties located principally in the Toronto area. In its various activities, the Company employs approximately 18,000 people.





Believe it! Believe it!
Believe it! Believe it!



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Hudson's Bay Company

INCORPORATED 2ND MAY 1670

NOTICE OF MEETING

1. The 304th ANNUAL GENERAL MEETING of The Governor and Company of Adventurers of England trading into Hudson's Bay will be held at the Winnipeg Art Gallery, Winnipeg, Manitoba, on May 15, 1973, at 12:00 noon.
2. A Resolution will be proposed to appoint Messrs. Peat, Marwick, Mitchell & Co., Auditors, and authorize the Directors to fix their remuneration. **(Resolution No. 1)**
3. Directors retiring by rotation and proposed for re-election as Members of the Board are:
Mr. A. M. McGavin **(Resolution No. 2)**
Mr. G. T. Richardson **(Resolution No. 3)**
Mr. R. E. Sheen **(Resolution No. 4)**
4. Messrs. J. E. H. Collins, M.B.E., D.S.C., and C. Gordon Smith also retire by rotation but do not seek re-election.
5. A Resolution will be proposed to elect Peter W. Wood, presently Vice President, Finance, of the Company as a Member of the Board. **(Resolution No. 5)**
6. A Resolution will be proposed to sanction and confirm a by-law passed by the Directors on March 30, 1973, which authorizes an Employee Stock Purchase Plan. **(Resolution No. 6)**
7. A Resolution will be proposed at the Meeting to approve and adopt the Directors' Report and the Consolidated Financial Statements of the Company and its subsidiaries for the year ended January 31, 1973. **(Resolution No. 7)**
8. Each registered shareholder of record at the close of business May 1, 1973, will be entitled to vote at the meeting.

HUDSON'S BAY HOUSE,
77 MAIN STREET,
WINNIPEG, MANITOBA R3C 2R1

By Order of the Board
A. R. HUBAND
Secretary

APRIL 16, 1973.

If it is not your intention to be present at the Meeting, please exercise your right to vote by signing and returning your form of proxy in the envelope enclosed herewith for that purpose

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Hudson's Bay Company of proxies to be used at the Annual General Meeting of the Company to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting. It is expected that the solicitation will be primarily by mail. The cost of solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are Directors of the Company.

A shareholder desiring to appoint some other person to represent him at the meeting may do so, either by inserting such other person's name in the blank space provided in the form of proxy or by completing another proper form of proxy, and in either case, forwarding the completed proxy so as to arrive at the office of the Secretary or Registrar of the Company at least 48 hours before the meeting.

A shareholder who has given a proxy may revoke it as to any Resolution on which a vote has not already been cast pursuant to its authority by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Company on or before the last business day preceding the day of the meeting or adjournment thereof at which the proxy is to be used, or with the Chairman of such meeting on the day of the meeting or adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote or withhold from voting the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them.

In the absence of such direction, such shares will be voted for approval of the Directors' report and financial statements; for confirmation of the by-law referred to in the Notice of Meeting; and for the election of Directors and appointment of auditors as stated under those headings in this circular.

The enclosed form of proxy confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular, the management of the Company knows of no such amendments, variations or other matters to come before the meeting.

VOTING SHARES AND RECORD DATE

As of the date of this circular the Company had outstanding 13,553,428 ordinary shares of no par value, each carrying the right to one vote. Each registered shareholder of record at the close of business May 1, 1973, will be entitled to vote at the meeting.

The Directors and senior officers of the Company do not know of any person or company beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to all shares of the Company.

ELECTION OF DIRECTORS

The Board consists of not less than 12 and not more than 22 Directors, including a Governor and Deputy Governor. One-third of the Members of the Board, or if the number of Members of the Board is not a multiple of three, the number nearest to but not exceeding one-third of their total number, shall retire by rotation in each year.

Unless otherwise instructed the persons named in the enclosed proxy intend to vote for the election of the nominees whose names are set forth below, all of whom, except P. W. Wood, are now members of the Board of Directors and have been since the dates indicated. Management does not contemplate that any of the nominees will be unable to serve as a Director, but if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each Director elected will hold office until retirement by rotation or otherwise in accordance with the Company's Charter.

- a) There is set out below the name of each Director retiring by rotation and proposed for re-election as a Member of the Board at the said Annual General Meeting. Also shown are all other positions and offices with the Company now held by him, his principal occupation or employment, the year in which he became a Director of the Company, and the approximate number of shares of the Company that he has advised is beneficially owned, directly or indirectly, by him as of the date hereof.

	Became a Director	Shares
A. M. McGAVIN, of Vancouver, British Columbia, is Chairman of the Board of McGavin Toastmaster Limited, manufacturers and distributors of bakery products.	1969	2,000
GEORGE T. RICHARDSON, of Winnipeg, Manitoba, is President of James Richardson & Sons, Limited, grain merchants, and Governor of the Company.	1968	12,700
R. E. SHEEN, of Toronto, Ontario, is Vice President, Merchandising, of the Company.	1964	170

- b) P. W. Wood has been nominated for election as a Member of the Board. Shown below are all other positions and offices with the Company held by him in the past five years (being his principal occupation or employment) and the approximate number of shares of the Company that he has advised is beneficially owned, directly or indirectly, by him as of the date hereof.

	Shares
P. W. WOOD, of Winnipeg, Manitoba, has been Vice President, Finance, of the Company since November 1972. Before that he was Treasurer.	5,000

CONTINUING DIRECTORS

There is set out below the name of each Director not retiring by rotation and whose term of office as a Director will continue after the meeting, together with information as to all other positions and offices with the Company now held by him, his principal occupation or employment, the year in which he became a Director of the Company, the year in which he was last re-elected a Director of the Company, and the approximate number of shares of the Company that he has advised is beneficially owned, directly or indirectly, by him as of the date hereof.

	Became a Director	Last Re-elected	Shares
T. NORBERT BEAUPRÉ, of Montreal, Quebec, is Chairman of the Board and President of Domtar Limited, manufacturers.	1963	1972	200
THE RT. HON. LORD COBBOLD, K.G., P.C., G.C.V.O., of London, England, is a Director of The British Petroleum Company Limited.	1962	1972	200
G. R. HUNTER, M.B.E., Q.C., of Winnipeg, Manitoba, is a partner of Pitblado & Hoskin, barristers and solicitors.	1963	1971	200
M. W. JACOMB, of London, England, is a Director of Kleinwort, Benson Limited, merchant bankers.	1971	1972	25
J. G. LINKS, O.B.E., of London, England, is a Director of Calman Links Limited, furriers.	1947	1971	1,950
A. J. MacINTOSH, Q.C., of Toronto, Ontario, is a partner of Blake, Cassels & Graydon, barristers and solicitors, and Deputy Governor of the Company.	1969	1971	500
W. D. C. MACKENZIE, of Calgary, Alberta, is President of W. D. C. Mackenzie Consultants Ltd., petroleum consultants.	1972	1972	100

D. S. McGIVERIN, of Toronto, Ontario, is <u>President</u> of the Company.	1969	1972	10,200
J. H. MOORE, of London, Ontario, is President of Brascan Limited.	1971	1972	200
J. BARTLETT MORGAN, of Montreal, Quebec, is Chairman of the Board of The Morgan Trust Company.	1960	1972	200
H. W. SUTHERLAND, of Winnipeg, Manitoba, is <u>Senior Vice President</u> of the Company.	1964	1971	500

REMUNERATION OF DIRECTORS AND OFFICERS

Aggregate remuneration paid or payable by the Company to the Directors of the Company in their capacities as Directors in respect of the Company's fiscal year ended January 31, 1973, was \$105,063.

Aggregate remuneration paid or payable by the Company to the officers of the Company in their capacities as officers in respect of the Company's fiscal year ended January 31, 1973, was \$667,106.

The estimated aggregate cost to the Company in the fiscal year of the Company ended January 31, 1973, of all pension benefits proposed to be paid under any pension plan or plans in the event of retirement at normal age, directly or indirectly, by the Company to Directors and officers of the Company was \$47,251.

Pursuant to any existing plan or arrangement, the maximum annual aggregate of future payments proposed to be made directly or indirectly by the Company to its Directors and officers, while employed by the Company, is \$140,000.

The maximum annual aggregate amount of deferred compensation benefits proposed to be paid to Directors and officers following termination of their employment, is \$25,848.

INTEREST IN MATERIAL TRANSACTIONS

a) In an agreement dated January 15, 1973, between Hudson's Bay Company Acceptance Limited (a wholly-owned subsidiary of Hudson's Bay Company) and Richardson Securities of Canada and Harris & Partners Limited, as underwriters, Hudson's Bay Company Acceptance Limited sold to the underwriters on March 1, 1973, \$20 million principal amount of 8¼% Series "E" Debentures at a price of \$98.25 per \$100 principal amount, plus accrued interest from March 1, 1973, to the date of delivery.

George T. Richardson, Governor of the Company, is a partner in Richardson Securities of Canada. J. E. H. Collins, a Director of the Company, is a Director of Harris & Partners Limited.

b) In March, 1973, the Directors of Hudson's Bay Company and of Siebens Oil & Gas Ltd. approved letters of intent whereby Siebens will acquire, subject to the satisfaction of certain conditions, all the outstanding shares of Hudson's Bay Company Resources Limited, the beneficial owner of mineral rights on 4½ million acres in Western Canada, in exchange for 2,800,000 treasury shares of Siebens.

George T. Richardson, Governor of the Company, is the owner of 20,000 shares of Siebens Oil & Gas Ltd.

CONFIRMATION OF BY-LAW

A Resolution will be proposed to sanction and confirm a by-law, being Article 13 of the General By-Laws of the Company, passed by the Directors on March 30, 1973, relating to an Employee Stock Purchase Plan. The purpose of the by-law is to advance the interests of the Company by enabling and encouraging the acquisition of a larger share interest in the Company by full-time employees and officers of the Company and its subsidiaries. A copy of the by-law is enclosed herewith. The by-law requires confirmation by a majority of the votes cast at the meeting.

APPOINTMENT OF AUDITORS

A Resolution will be proposed at the Annual General Meeting to re-appoint Messrs. Peat, Marwick, Mitchell & Co. as Auditors of the Company, and to authorize the Directors to fix their remuneration.

Dated as of March 30, 1973



Hudson's Bay Company

INCORPORATED 2ND MAY 1670

BY-LAW RELATING TO EMPLOYEE STOCK PURCHASE PLAN (Being Article 13 of the General By-Laws of the Company)

1. The Company hereby institutes a plan to be known as the Employee Stock Purchase Plan (hereinafter called the "Plan") which is intended to advance the interests of the Company and its subsidiaries by encouraging, and enabling the acquisition of a larger share interest in the Company's success by full-time employees and officers of the Company and its subsidiaries. (Such full-time officers and employees including directors holding a salaried employment or office in the Company are herein sometimes called "participants"). The participants are granted the opportunity to purchase shares under the Plan as additional inducement for the participants to promote the best interests of the Company. Employees and officers shall have the right not to participate in the Plan and any decision not to participate in the Plan shall not affect their employment with the Company.

2. The Plan may at the discretion of the Board of Directors be divided into two or more categories. Such categories shall be designated as the Board may determine and the nature, extent and terms of the participation by the Company and the participants may vary for each category of the Plan, all as determined by the Board.

3. From time to time the Board shall designate those officers and employees of the Company and its subsidiaries who shall be entitled to participate in the Plan and shall determine the nature, extent and terms of their participation. The judgment of the Board in designating participants shall be final and conclusive.

4. The Board may appoint such Trustees (who may be members of the Board) as the Board may from time to time deem expedient for the carrying out of the Plan.

5. Shares for the Plan shall be ordinary shares in the capital of the Company and may be issued by the Company from the unissued capital of the Company and/or may be acquired by the Trustees in the open market or in such other manner as the Board may require. The Board is hereby authorized to allot and issue from time to time for the purposes of the Plan such number of shares in the capital of the Company as they determine may be required under the Plan.

6. The price at which shares are to be offered to participants shall be the closing market quotation on The Toronto Stock Exchange on the last day on which the shares were traded preceding the offering date or the acquisition price of the shares in the case of shares acquired in the open market.

7. In order to provide financial assistance to participants, the Company is hereby authorized to provide money in such amounts and on such terms as the Board may from time to time determine for the purchase by the Trustees of fully paid shares in the capital of the Company, to be held by, or for the benefit of the participants.

8. The Board shall determine from time to time those participants to whom financial assistance for the purpose aforesaid shall be granted, the nature and extent of such financial assistance and the terms of repayment, retirement and satisfaction of such financial assistance.

9. Each participant shall enter into an agreement with the Company or the Trustees in such form as the Board may from time to time determine. The Board shall have the power to alter, amend and vary the extent and terms of such agreement except that the Board shall have no power to increase any indebtedness of participants for shares purchased under the Plan.

10. The rights of any participant under the Plan shall be personal to him and not assignable.

11. The Board shall have the power to interpret the provisions of the Plan and to make regulations and formulate administrative provisions for carrying it out and to make such changes in the Plan and in the regulations and administrative provisions as, from time to time, the Board deems proper and in the best interests of the Company and the Trustees shall observe same.

12. The Trustees shall be entitled to rely on all certificates, reports, opinions and other documents furnished by any broker, accountant or auditor or counsel to the Company and shall be fully protected and indemnified by the Company in respect of any acts done in good faith or in reliance on such certificates, reports, opinions or documents.

13. The Company shall pay all costs of administering the Plan.

